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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/62/539). It also provides a review of the Organization's financial situation as at 31 December 2007 and updated projections based on information as of 7 May 2008.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 31 December 2007, assessments issued during 2007 were higher than at 31 December 2006 under all categories. Unpaid assessments at 31 December 2007 were also higher than at 31 December 2006 for all categories, except the international tribunals.

Cash balances at the end of 2007 were higher than at the end of 2006 for all categories.

Amounts owed to troop and equipment providers had decreased by some $231 million at 31 December 2007 from 31 December 2006. The decrease reflects payments exceeding new obligations incurred during 2007.

While there has been some improvement, the financial position of the United Nations remains fragile. Unpaid assessed contributions are heavily concentrated among a few Member States; the final outcome for 2008 will depend in large measure on the payments that they make during the remainder of 2008. The only way to overcome this problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/62/539). It also provides a review of the Organization's financial situation at 31 December 2007 and updated projections based on information as of 7 May 2008.

2. The picture that the above-mentioned information presents of 2007 is mixed. Although some progress has been made during early 2008, the United Nations still has some way to go before it can achieve a clean bill of financial health.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 31 December 2007

4. A review of the financial situation shows increases in the level of assessments for the regular budget (from $1,755 million at 31 December 2006 to $2,054 million at 31 December 2007), peacekeeping (from $3,450 million to $6,935 million), the international tribunals (from $269 million to $296 million) and the capital master plan (from $109 million to $353 million). At 31 December 2007, unpaid assessments for the regular budget, peacekeeping operations and the capital master plan were also higher than at the end of 2006. Unpaid assessments for the international tribunals were lower than at the end of 2006.

5. The Secretary-General would like to pay a special tribute to the 20 Member States that had paid in full all assessed contributions due and payable at 31 December 2007 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Australia, Austria, Canada, Czech Republic, Fiji, Finland, Georgia, Ireland, Israel, Italy, Lithuania, Monaco, New Zealand, Samoa, Singapore, Slovenia, South Africa, Sweden, the former Yugoslav Republic of Macedonia and United Kingdom of Great Britain and Northern Ireland. Other Member States are urged to follow the example of those countries.

A. Regular budget

6. Assessments and payments to the regular budget were both higher in 2007 than in 2006, by $299 million and $259 million, respectively. Unpaid assessed contributions were up by $67 million at $428 million at 31 December 2007, compared to $361 million at 31 December 2006.

7. On a positive note, 140 Member States had paid their regular budget assessments in full by the end of 2007, one more than in 2006. The Secretary-General wishes to thank the Member States that had honoured their obligations to the regular budget in full at 31 December 2007 and urges all Member States that have not yet done so to date to pay in full their assessed contributions as soon as possible.

8. Of the $428 million that remained outstanding at 31 December 2007, over 95 per cent was owed by just two Member States (United States of America and

Argentina), and under 5 per cent related to the remaining 50 Member States. A total of 86 Member States had paid their assessments to the regular budget in full by 7 May 2008, compared to 84 by 16 May 2007.

9. The financial position of the regular budget at 7 May 2008 as compared to 16 May 2007 reflects the net result of both lower assessments and lower payments received. Unpaid assessed contributions were $72 million lower on 7 May 2008 than a year earlier. Although payments received by 7 May 2008 were $50 million lower than on 16 May 2007, there was also a decrease of $174 million in the regular budget assessment for 2008. The $1.2 billion outstanding on 7 May 2008 is also very highly concentrated, with seven countries (United States, Japan, Germany, China, Argentina, Iran (Islamic Republic of) and Greece) accounting for 97 per cent of the total and just two countries ($846 million by the United States and $210 million by Japan) for over 85 per cent. Clearly, the final outcome for 2008 will depend in large measure on action to be taken by those particular Member States.

10. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid; the Working Capital Fund, authorized periodically by the General Assembly; and the Special Account. At the end of 2007, $283 million of cash was available for the regular budget. At 30 April 2008, that amount stood at $529 million, with another $385 million in the related reserve accounts (the Working Capital Fund and the Special Account). The positive change for the regular budget is due to a net increase in payments over expenditures in the first quarter of the year. The modest increase in the Special Account of $2 million from $233 million at 31 December 2007 is due to accumulated interest credited to the fund. The months of October and November continue to be the most difficult period of the regular budget cash flow cycle. The final position for 2008 will depend in large measure on the action taken by the two countries referred to earlier, namely, the United States and Japan.

11. The net increase in the current year's assessments over payments received to date results in an overall increase in the outstanding amounts from $428 million at the end of 2007 to $1,239 million as of 7 May 2008.

B. Peacekeeping operations

12. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the tribunals.

13. The total amount outstanding for peacekeeping operations at the end of 2007 was over $2.7 billion. This is approximately $0.8 billion more than the amount of $1.9 billion outstanding at the end of 2006. This is mainly due to the expansion in peacekeeping operations, and the related impact on assessments, during the period. Over two thirds of the $2.7 billion outstanding at the end of 2007 was owed by two Member States ($1,084 million by the United States and $730 million by Japan).

14. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be more difficult for Member States to keep fully current with assessments. The Secretary-General wishes to give special thanks to the 21 Member States that had paid all peacekeeping assessments that were due and payable on 31 December 2007: Australia, Austria, Canada, Czech Republic, Fiji, Finland, Georgia, Ireland, Israel, Italy, Lithuania, Monaco, New Zealand, Samoa, Serbia, Singapore, Slovenia, South Africa, Sweden, the former Yugoslav Republic of Macedonia and United Kingdom.

15. Although cash available for peacekeeping at the end of 2007 amounted to over $2.1 billion, it was divided between the separate accounts maintained for each peacekeeping operation; furthermore, there are restrictions on the use of that cash. In its resolutions on the financing of peacekeeping operations, the General Assembly has specified that no peacekeeping mission shall be financed by borrowing from other active peacekeeping missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing ones. Of the total cash available in peacekeeping accounts at the end of 2007, $1,481 million related to active missions, $564 million to closed missions, and the balance of $146 million to the Peacekeeping Reserve Fund.

16. The financial position of peacekeeping operations at 7 May 2008 shows some improvement. New assessments of over $2.3 billion had been issued by that date. Against this, contributions of over $2.8 billion were received, reducing the amount outstanding from over $2.7 billion to under $2.3 billion. In this regard, the Secretary-General wishes to pay special tribute to the 28 Member States that had paid all peacekeeping assessments that were due and payable on 7 May 2008: Andorra, Australia, Austria, Azerbaijan, Brazil, Canada, Colombia, Cuba, Czech Republic, Denmark, Finland, France, Germany, Guatemala, Iceland, Italy, Liechtenstein, Luxembourg, Monaco, New Zealand, Norway, Papua New Guinea, Samoa, Singapore, South Africa, Sweden, Switzerland and United Kingdom.

17. On the basis of information currently available, the total cash available in peacekeeping accounts at the end of 2008 is expected to amount to about $2 billion: $1.3 billion in the accounts of active missions, $521 million in the accounts of closed missions and $156 million in the Peacekeeping Reserve Fund. These estimates are based on projected income and expenditures and on the proposed retention of cash balances in closed peacekeeping operations.

18. Of the $521 million expected to be available in the accounts of closed peacekeeping operations at the end of 2008, $304 million relates to amounts to be paid for outstanding liabilities, such as troop and equipment payments, and $6 million relates to closed missions with overall cash deficits. That leaves only $211 million freely available for possible cross-borrowing for other accounts, including the regular budget, the international tribunals and active peacekeeping operations. Cross-borrowing from the accounts of closed peacekeeping operations was required in 2007 for five active operations (the United Nations Interim Administration Mission in Kosovo, the United Nations Observer Mission in Georgia, the United Nations Mission for the Referendum in Western Sahara, the United Nations Peacekeeping Force in Cyprus and the United Nations Stabilization Mission in Haiti).

C. International tribunals

19. The financial position of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia improved in 2007. Outstanding assessments for the two tribunals fell from $51 million at year end 2006 to $34 million at the end of 2007.

20. The unpaid assessment of $34 million at the end of 2007 was highly concentrated, as only four Member States accounted for more than 82 per cent of the total ($16 million by the United States, $8 million by Spain, $2 million by Belgium and $2 million by Indonesia). Much will depend, therefore, on the action taken by those Member States.

21. A total of 105 Member States had paid in full their assessed contributions for both international tribunals by the end of 2007, up from 99 at the end of 2006. The Secretary-General wishes to express his appreciation to those 105 Member States that had paid in full their assessed contributions by 31 December 2007 and urges other Member States to follow their example.

22. The situation in 2008 continues to show a modest improvement. Seven more Member States had paid their assessed contributions to both tribunals in full by 7 May 2008 than by 16 May 2007. Unpaid assessments at 7 May 2008 amounted to $147 million, reflecting a lower level than the unpaid amount of $153 million at 16 May 2007.

23. If recent positive trends continue, the tribunals are expected to end the year with positive cash balances. Once again, however, the actual outcome will depend on whether Member States continue to honour their financial obligations to the tribunals.

D. Capital master plan

24. In its resolution 61/251, the General Assembly approved a total budget for the capital master plan of $1.88 billion. Two options were approved by the General Assembly to fund the remainder of the project:

(a) One-time assessment, whereby Member States settle their total capital master plan assessments in full in 2007, based on the 2007 rates of assessment;

(b) Multi-year assessment, whereby Member States make equal payments over five years based on the rates of assessment for 2007.

25. Twelve Member States have opted for one-time payment, with the remaining 180 Member States falling under the multi-year payments system. As of 7 May 2008, 181 Member States have made payments which totalled $696 million, with $150 million still outstanding. In addition, a number of Member States that did not opt for one-time payment have nevertheless made advance payments totalling $174 million.

26. In addition to the cost of project, the General Assembly approved the establishment of a working capital reserve of $45 million. The reserve is to be funded from the advances from Member States and is apportioned at the rates of assessment for 2007. As of 7 May 2008, 154 Member States have already made payments for the working capital reserve which totalled $44.9 million.

27. As of 7 May 2008, 90 Member States have paid in full, while another 91 Member States have made partial payments. Regrettably, 11 Member States have not yet made any payments to the capital master plan.

III. Debt to Member States

28. The amount owed for troops and formed police units and contingent-owned equipment at 31 December 2007 was $779 million, reflecting a decrease from the $1 billion owed at the start of the year. New obligations are projected to increase in 2008 compared to 2007, primarily reflecting the deployment of troops at the African Union-United Nations Hybrid Operation in Darfur (UNAMID). It is projected that if the receipt of assessments for 2008 continues to improve, thereby permitting projected payments of $1.8 billion, debt will be reduced to $728 million by the end of 2008. As at 7 May 2008, the amount owed was $597 million, of which approximately half is owed to seven Member States (Pakistan, India, Bangladesh, Germany, United States, Jordan and France). Projected payments for 2008 are also dependent on timely finalization of memorandums of understanding. At the start of May 2008, out of 335 memorandums of understanding for all peacekeeping missions, 72 (21 per cent) were yet to be finalized. Naturally, the level of payments will depend on Member States meeting their financial obligations to the United Nations.

IV. Conclusions

29. There were some encouraging signs of progress in the financial position of the Organization in 2008, as evidenced by the number of Member States that are meeting their financial obligations to the Organization in full.

30. The Secretary-General wishes to pay a special tribute to the Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable at 7 May 2008: Andorra, Australia, Austria, Azerbaijan, Brazil, Canada, Cuba, Czech Republic, Finland, France, Guatemala, Iceland, Italy, Liechtenstein, Luxembourg, Monaco, New Zealand, Norway, Papua New Guinea, Samoa, Singapore, South Africa, Sweden, Switzerland and United Kingdom. In addition, Antigua and Barbuda, Benin and Denmark have paid in full their due and payable assessments since 7 May 2008. Other Member States are urged to follow the example of those countries.

31. While there were some encouraging signs of progress, a significant level of outstanding assessments remains. Unpaid assessed contributions are heavily concentrated among a few Member States, and clearly the final outcome for 2008 will depend in large measure on the action that will be taken by those particular Member States. The only way in which these issues can be resolved is for Member States to meet their financial obligations to the United Nations in full and on time.